

Economic Impact Statement

LSA Document #13-7

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

IC 4-22-2.1-5(a) provides that an agency that intends to adopt a rule under IC 4-22-2 that will impose requirements or costs on small businesses must prepare a statement that describes the annual economic impact of the rule on small businesses after the rule is fully implemented as described in IC 4-22-2.1-5(b). That statement must be submitted to the Indiana Economic Development Corporation (IEDC). The IEDC is required to review the rule and submit written comments to the agency not later than seven days before the public hearing.

The proposed rule amends 760 IAC 1-15.1 regarding insurance holding company systems. The proposed amendments require those insurers required to give prior notice of a proposed transaction in accordance with IC 27-1-23-4 to include certain information in cost-sharing and management services agreements and to provide additional information in the Form D filing. Insurers required to file a Form B holding company registration statement will be required to file additional information with this statement. Insurers will also be required to file a preacquisition notification (Form E) regarding the potential competitive impact of any proposed merger or acquisition by a nondomiciliary insurer doing business in Indiana or by a domestic insurer. Insurers filing a Form A concerning proposed acquisition of control will be required to also file an enterprise risk report (Form F). Insurers requesting approval of extraordinary dividends or any other extraordinary distribution to security holders must include additional information in such requests.

The proposed amendments are based upon amendments contained within P.L.81-2012 and amendments to a model regulation adopted by the National Association of Insurance Commissioners (NAIC). This model regulation must be adopted by each state in order for that state to maintain its accreditation with the NAIC. States failing to maintain NAIC accreditation will subject domestic insurers to financial examinations from each of the other 49 NAIC accredited states.

Estimated Number of Small Businesses Affected:

The rule will impact domestic and foreign insurance companies and health maintenance organizations. The proposed rule will impact 129 Indiana domestic insurance companies, 1,496 foreign insurance companies, and 32 health maintenance organizations authorized in Indiana. It is unknown how many companies qualify as small businesses.

Estimated Administrative Costs Imposed on Small Businesses:

The estimated administrative costs imposed on small businesses is minimal. The proposed rule requires information to be submitted that is either required by amendments contained within P.L.81-2012 or has already been requested of insurance companies and health maintenance organizations as a part of IDOI's review process.

Estimated Total Annual Economic Impact on Small Businesses:

For the above-stated reasons, the estimated total annual economic impact on small businesses is difficult to quantify and will be minimal.

Justification of Requirements or Costs:

The amendments contained within the proposed rule are in response to P.L.81-2012 and to the amendments to the NAIC model rule. If the proposed rule is not adopted and Indiana loses NAIC accreditation, each of the 49 other states could require Indiana domestic insurers to be examined. The costs of each financial examination would be borne by the domestic insurers and would be financially burdensome.

Regulatory Flexibility Analysis:

The department determined that adoption of the model standards issued by the NAIC to maintain accreditation would be most beneficial for the marketplace. There are no less intrusive or less costly alternative methods for achieving the purposes of the proposed rule.

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